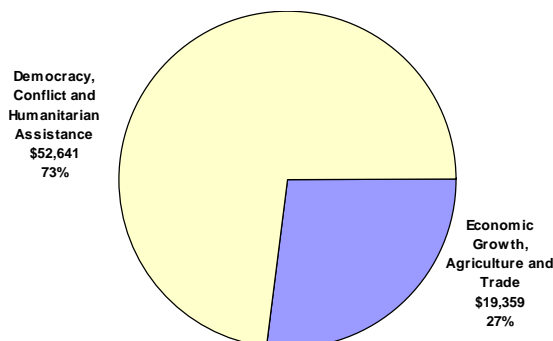
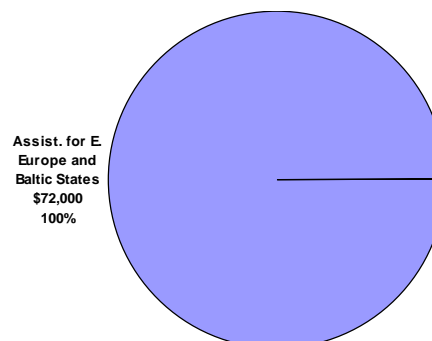


# Kosovo

**FY 2006 Assistance by Sector**



**FY 2006 Assistance by Account**

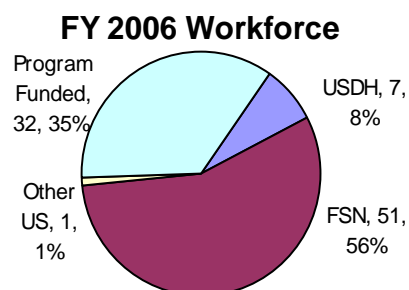


## Objectives and Budget

Objective	SO Number	FY 2004	FY 2005	FY 2006
Economic Policy and Institutions	167-0120	7,660	6,490	6,230
Private Sector Growth	167-0130	4,750	5,500	6,289
Accountable and Transparent Governance	167-0210	7,250	8,000	7,680
Democratic Institutions	167-0220	5,490	5,776	5,550
Social stabilization through special initiatives	167-0410	1,816	2,323	800
Cross-Cutting Programs	167-0420	4,314	3,011	3,307
Transfers		47,254	43,900	42,144
<b>Total (in thousands of dollars)</b>		<b>78,534</b>	<b>75,000</b>	<b>72,000</b>

## Administrative Expenses and Workforce

Administrative Expenses	FY 2004	FY 2005	FY 2006
Mission Allocation	3,928	3,550	3,550
USDH Salaries & Benefits	571	1,052	1,075
Program Funds	2,069	2,069	1,854
<b>Total (in thousands of dollars)</b>	<b>6,568</b>	<b>6,671</b>	<b>6,479</b>



**Mission Director:** Ken Yamashita

## Kosovo PROGRAM SUMMARY

(in thousands of dollars)

Accounts	FY 2003 Actual	FY 2004 Actual	FY 2005 Current	FY 2006 Request
Asst. for E. Europe and the Baltic States	85,111	78,534	75,000	72,000
<b>Total Program Funds</b>	<b>85,111</b>	<b>78,534</b>	<b>75,000</b>	<b>72,000</b>

### STRATEGIC OBJECTIVE SUMMARY

167-0120 Economic Policy and Institutions				
AEEB	1,217	7,660	6,490	6,230
167-0130 Private Sector Growth				
AEEB	15,733	4,750	5,500	6,289
167-0210 Accountable and Transparent Governance				
AEEB	8,950	7,250	8,000	7,680
167-0220 Democratic Institutions				
AEEB	1,498	5,490	5,776	5,550
167-0310 Community Development				
AEEB	3,302	0	0	0
167-0410 Social stabilization through special initiatives				
AEEB	1,694	1,816	2,323	800
167-0420 Cross-Cutting Programs				
AEEB	1,041	4,314	3,011	3,307
TRANSFER				
AEEB	51,676	47,254	43,900	42,144

Mission Director,  
Ken Yamashita

**The Development Challenge:** Kosovo faces three major near term challenges. First is the creation and/or strengthening of newly-formed economic and democratic institutions and procedures. Paramount among these are fiscal and budget institutions, a fair and transparent justice system, central and municipal government organizations functioning openly in response to society's needs and aspirations, and a body of laws and procedures permitting social and commercial life to function smoothly. Second is stimulating the private sector to create jobs and generate profits to feed growth, to produce tax revenues, to finance service delivery and development, and to provide employment. Third is preparing Kosovo for integration into Europe, the logical center of Kosovo's economic and political future. Integration will stimulate economic activity and assure a better life for all of Kosovo's population.

Over the last five years, the combination of accelerated institution building and sound economic policies has resulted in many impressive accomplishments in the economic sphere. Kosovo is moving deliberately from a command to a market economy, adopting new systems and values in the process. Gross domestic product (GDP) has risen over 40% since 2000, although much of this growth can be attributed to the presence of the international community and its impact on the consumer economy. Total deposits in the banking system have increased by 24% during 2004 and the loan-to-deposit ratio increased from 42% at the end of 2003 to its current level of around 57%. A sound tax system now finances all expenditures in the Kosovo Central Budget from domestically collected revenues. A modern pension system has been installed. The budget process and Treasury systems compare favorably with others in the Balkans, and Kosovo is progressing well in meeting the set of Economy Standards. Inflation, as in the broader Euro Zone, is around 2%. Nonetheless, while functioning at an adequate level, economic structures are weak and capabilities thin. Analyses reveal weaknesses that over the medium-term make the economy vulnerable. The economy continues to absorb expenditures at a level much larger than GDP. Private remittances plus donor inflows at levels not sustainable finance this huge imbalance. More recently, there are signs that the economy has stabilized and that growth has slowed. Most of Kosovo's neighbors are now growing faster than Kosovo, which still has the lowest GDP per capita in the region at \$1,280. It also has the largest percentage of population living at a subsistence level, with 47% of the populace living on under \$2 per day. Both foreign and domestic investment are constrained by uncertainty associated with Kosovo's future status. The private sector accounts for only around 35% of the official economy with the public sector being the driving force. Unemployment, which many estimates place at 50% - 55% is arguably the key social and economic problem for Kosovo. Twenty-five thousand new individuals join the labor force annually.

Kosovo's political structures are maturing. Assembly elections were held in October, and were considered to have been free and fair, despite a boycott by the Kosovo Serb population. No single party won a clear majority, leading President Rugova's party and Ramush Haradinaj's party to form a new coalition government with several other smaller Kosovo Albanian and non-Serb minority parties. Additionally, a true opposition emerged for the first time from these elections. Civil society was active in the elections, running a "get out the vote" campaign which helped encourage all communities to vote. Unfortunately, most Kosovo Serbs did not participate in the election due to mixed signals from Belgrade about participation and local dissatisfaction with the state of affairs in Kosovo (less than 1,000 out of 130,000 Kosovo Serb eligible voters participated in the elections). Regardless, Kosovo Serbs will retain 10 set-aside seats in the Assembly and several positions within the government. International advisors and assistance will continue to be needed in the Assembly to help make this body a responsive part of the provisional government.

The tragic events of March 2004 in Kosovo, when ethnic tensions flared up into violence leading to loss of life and property damage, are a reminder of the fragility of the ethnic relations in Kosovo and the importance of efforts to address issues facing all of Kosovo's communities. Kosovo is making progress on implementing the "Standards for Kosovo," and in mid-2005 the Contact Group (Britain, France, Germany, the United States, Russia and Italy) will formally assess Kosovo's progress in achieving these standards. If the international community decides after the formal review that Kosovo has made sufficient progress on the standards, a political process to determine Kosovo's future status will begin.

### **The USAID Program:**

USAID's strategy concentrates on two broad areas, economic development, and democracy and governance.

USAID's two economic growth objectives focus on building human and industrial capacity and the legal, policy, and regulatory frameworks necessary to support economic growth and investment. A major element in this sector is USAID's provision of technical assistance to the Ministry of Economy and Finance, the Banking and Payments Authority, the Assembly of Kosovo, and the Kosovo Trust Agency. With USAID assistance, these institutions are developing sound economic, budget, and tax systems including a medium-term expenditure framework, an improved financial regulatory system and legal environment, and the privatization of former state-owned enterprises. The development of competitive industries is key not only to growth, but to the problem of unemployment, so USAID supports an initiative to build successful business clusters in construction materials, dairy/meat/poultry, and fruits and vegetables. As loan capital is critical to growing an enterprise, USAID is exploring steps needed for Kosovo to

become eligible for Development Credit Authority to provide partial loan or bond guarantees to banks as an incentive to increase loans to the businesses in these clusters.

The democracy objectives support the strengthening of the rule of law, civil society, political parties, independent media, and local governance. USAID is working with Pillar I (Police and Justice) of the United Nations Interim Administration Mission in Kosovo (UNMIK) in helping build greater local capacity to assume more responsibilities in the judiciary. Civil society, including political parties, is active in Kosovo, but lacks organizational and financial capacity. To help keep the emerging governmental institutions in check, both an effective civil society and an independent media are critical, and USAID's assistance works to ensure both. USAID's new local government initiative has placed resident advisors in six of Kosovo's municipalities to help authorities more efficiently manage their resources and meet their citizens' needs. In addition, the program is helping develop the legal framework to devolve governmental authorities to the local level.

Special initiatives support an anti-trafficking program, literacy classes for poor women, targeted assistance to the health sector through prenatal care and tuberculosis control programs, and assistance for effective management of Kosovo's electric company to ensure energy for homes and businesses. USAID continues to support the restructuring and revitalization of the Kosovo Electric Company (KEK) and works synergistically with the new Irish management team responsible for KEK's operations. In FY 2005 a Global Development Alliance partnership will be explored with potential U.S. partners in the energy field.

**Other Program Elements:** Strengthening local democracy: Regional (Kosovo-Macedonia) activities are building cooperation and reconciliation through regional committee-implemented collaborative projects.

**Other Donors:** Donors are rethinking their role and presence in Kosovo. Both the European Union (EU) and the United Nations Development Program (UNDP) have opened offices and UNMIK is downsizing as competencies are transferred to the Provisional Institutions of Self-Government. The EU, through the European Agency for Reconstruction and its support for UNMIK's Pillar IV (Economic Restructuring), has been and remains the largest donor, with activities in public administration reform, decentralization, judiciary, customs and taxation, energy, environmental management, economic development, minority return, rural development, civil society, and university education. Other major donors and their principal areas of focus include: Germany (energy, water, transport, private sector development); Sweden (agriculture, returnees, youth, anti-trafficking, energy, civil society); the United Kingdom (civil society, access to justice, customs, health, social policy, public administration); Switzerland (business development, agricultural, environmental protection, vocational education); and the UNDP (security, job creation and minority programming, local development). Although there are few formal mechanisms for donor coordination, donor collaboration increased this past year, most significantly in support to the central and municipal assemblies, legal reform, judicial reform, and media. UNMIK is identifying and categorizing capacity building efforts of the donor community by ministry, a significant step forward in donor coordination. The World Bank, International Monetary Fund, European Bank for Reconstruction and Development, and the EU all maintain a presence in Kosovo.

## Data Sheet

<b>USAID Mission:</b>	Kosovo
<b>Program Title:</b>	Economic Policy and Institutions
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	167-0120
<b>Status:</b>	New in FY 2004
<b>Planned FY 2005 Obligation:</b>	\$6,490,000 AEEB
<b>Prior Year Unobligated:</b>	\$110,000 AEEB
<b>Proposed FY 2006 Obligation:</b>	\$6,230,000 AEEB
<b>Year of Initial Obligation:</b>	2004
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID's economic program for Kosovo promotes the effective implementation and institutionalization of key reforms in fiscal policy, financial market development, commercial law development, privatization, and trade and investment policies through intensive technical assistance, training, and development of human capacities in Kosovo institutions. Future efforts will build on past achievements and will focus on institutionalization of these reforms. Much of the effort will be concentrated on strengthening human capacity in the institutions as well as on effective dissemination of improved economic policies and public administration practices.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Improve Economic Policy and Governance (\$3,050,000 AEEB, \$110,000 AEEB carryover). USAID will build upon technical assistance in support of economic reform and institutional development. Assistance to the Ministry of Economy and Finance will shift from establishing institutions to institutionalizing policies and procedures. In that regard, with limited exceptions, the role of USAID advisors has already shifted from managing and running institutions, to advising Kosovo counterparts who have assumed these responsibilities of managing Kosovo institutions. At the Ministry of Economy and Finance, assistance will intensify in training and capacity building for public officials in the following areas: macroeconomic analysis, budget planning and execution (at both municipal and central levels), and treasury functions and taxation, including a property tax. In developing a market-oriented commercial law regime, USAID will continue to provide assistance to the Office of Prime Minister and Assembly; however, emphasis will shift to training the legal community on the new commercial laws through the Kosovo Judicial Institute and the University of Pristina law school. Public education will support all areas. Contractors: BearingPoint (prime); The Services Group (sub); Overseas Strategic Group (sub).

Strengthen Financial Sector's Contribution to Economic Growth (\$974,000 AEEB). Assistance will continue at a reduced level to the Banking and Payments Authority of Kosovo primarily in banking supervision, to strengthen the regulatory environment for the financial sector. In addition, USAID assistance will ensure that the Kosovo Pension Savings Trust has the ability to effectively administer the mandatory defined-contribution pension scheme. Same implementers as above.

Increase Private Sector Growth (\$1,882,000 AEEB). USAID will continue to provide privatization assistance to the Kosovo Trust Agency to facilitate a transparent and efficient privatization process of socially owned enterprises (SOEs), including privatizing agricultural SOEs, as well as assistance in public education to promote understanding and support for privatization. Same implementers as above.

Increase Participation in Global Trade and Investment (\$584,000 AEEB). Assistance to the Ministry of Trade and Industry will increase capacity to develop trade policy, to implement free trade agreements, and to build institutional capacity in trade facilitation. Same implementers as above.

**FY 2006 Program:** Improve Economic Policy and Governance (\$3,064,000 AEEB). USAID will continue to provide technical assistance to the Ministry of Economy and Finance utilizing intensive training of counterparts, including hands-on training of senior officials as well as developing training capacity within the institution for sustainability. In commercial law development, assistance will emphasize

implementation of laws through focused, intensive training for the legal community.

Strengthen Financial Sector's Contribution to Economic Growth (\$756,000 AEED). Assistance to the Banking and Payments Authority of Kosovo and Kosovo Pension Systems Trust will ensure effective supervision of commercial banks as well as sound administration of pension savings.

Increase Private Sector Growth (\$1,975,000 AEED). Privatization efforts through assistance to the Kosovo Trust Agency will accelerate significantly with a goal of completing privatization.

Increase Participation in Global Trade and Investment (\$435,000 AEED). USAID will continue to provide capacity building in development of trade policy, as well as assistance in promoting implementation of trade agreements.

Same implementers as above.

**Performance and Results:** USAID's economic program has provided valuable support for the establishment, development, and strengthening of Kosovo's economic governance institutions. Much of its targeted assistance is focused on existing Provisional Institutions of Self-Government, particularly the Ministry of Economy and Finance. The aim is to make this a strong institution, capable of providing strong policy leadership and effective fiscal management. USAID support to this ministry has created sound, transparent, and well-implemented tax and budget regimes, including fiscal decentralization. Support to the Banking and Payments Authority of Kosovo in regulating the financial sector is widely regarded as successful, already resulting in sound and stable banking, insurance, and pension sectors. USAID's creation of a social safety net, including a modern, multi-tier pension system, provides elderly residents of Kosovo with a basic monthly pension as well as establishing a modern pension system for current workers. Core commercial legislation is largely in place, although not yet well-implemented. While privatization has slowly resumed, some legal issues that delayed these efforts remain unresolved, injecting some uncertainty into whether privatization will be able to be completed as anticipated. By completion of the program, Kosovo will have strong economic, financial, and legal institutions prepared to support a market-based economy driven by private-sector growth. In addition, it is anticipated that SOEs will be privatized, encouraging, with accelerated investment, economic activity in Kosovo. Continued progress in this objective will provide the enabling environment required for supporting the growth of productive enterprises, which in turn provide employment, higher incomes, and better quality of life.

## US Financing in Thousands of Dollars

Kosovo

167-0120 Economic Policy and Institutions	<b>AEEB</b>
<b>Through September 30, 2003</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2004</b>	
Obligations	8,767
Expenditures	3,336
<b>Through September 30, 2004</b>	
Obligations	8,767
Expenditures	3,336
Unliquidated	5,431
<b>Prior Year Unobligated Funds</b>	
Obligations	110
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	6,490
<b>Total Planned Fiscal Year 2005</b>	
Obligations	6,600
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	6,230
Future Obligations	0
Est. Total Cost	21,597

## Data Sheet

<b>USAID Mission:</b>	Kosovo
<b>Program Title:</b>	Private Sector Growth
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	167-0130
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$5,500,000 AEEB
<b>Prior Year Unobligated:</b>	\$124,000 AEEB
<b>Proposed FY 2006 Obligation:</b>	\$6,289,000 AEEB
<b>Year of Initial Obligation:</b>	1999
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID's private sector growth program promotes competitiveness in targeted cluster groups and facilitates not only the need to increase production, but also to enhance product quality, improve processing procedures and practices, make efficient use of resources, and expand market opportunities. Assistance will focus on ways to improve management, rationalize operations, and attract domestic and foreign investment capital. A second focus is support to business associations and other organizations by enhancing their ability to provide meaningful input in the development of economic policies and laws. Assistance will also be provided to strengthen indigenous business service consultants and business training providers so that they become established in the market.

### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Increase Private Sector Growth (\$5,500,000 AEEB, \$124,000 AEEB carryover). The USAID program will increase the capacity of local enterprises to manufacture and produce products that can satisfy local and foreign markets on a sustainable basis. Assistance will be given through training and technical assistance in three targeted clusters groups: dairy/meat/poultry; fruits and vegetables; and construction materials. Technology transfer, quality control, adherence to international standards, and access to market information will be the elements of program support. On an industry level, efforts will focus on creating efficiencies in the production chain and promoting cooperation among all cluster participants. To promote regional trade, business-to-business meetings, study tours, and trade fairs will be organized. Access to private finance will be improved through the development of new financing structures and by helping profitable businesses demonstrate credit worthiness through business plans and financial statements. Development Credit Authority (DCA) resources, if made available, will supplement private finance in supporting businesses. An added focus will be training and technical assistance in adherence to international grades and standards. Cluster organizations and producer/processor associations being assisted will receive small grants for such things as upgrading existing facilities to assist with test marketing, to help meet food safety or environmental requirements, to demonstrate new technology, to help organize the promotion of a product or products, and to enable producer participation in a Kosovo fair or trade show. Business development support will assist the private sector in working with government authorities to create an enabling environment for business in Kosovo by: focusing businesses and associations lobbying for appropriate laws and regulations; seeking clarity in existing legislative language; and ensuring the laws make sense for both business and society. Contractors: Chemonics (prime), Crimson Capital Corporation (sub), International Fertilizer Development Center (IFDC) (sub), and, The Service Group (TSG) (sub).

**FY 2006 Program:** Increase Private Sector Growth (\$6,289,000 AEEB). USAID's program will deepen and intensify its activities with client cluster group members with whom interactions were initiated in FY 2005. Based on diagnostic assessments this will involve, but not be limited to, development of such business skills as strategic planning, managerial proficiency, and access to market information. Assistance to producers will include introduction to and adoption of improved, appropriate production technologies. Assistance in business planning, quality control, and marketing techniques will be expanded in all the targeted clusters. Based on experience gained in FY 2005, the program will focus on expanding and strengthening capacity, building linkages and partnerships among stakeholders that have proven to be effective. Support for the adoption and implementation of international industry standards



will intensify. Cluster organizations and producer/processor associations being assisted will continue to receive small grants and DCA resources to facilitate organizational development, marketing, product development, technology transfer, and information extension. Contractors are the same as for FY 2005.

**Performance and Results:** Two completed USAID projects in FY 2004 contributed to increased quality and competitiveness for selected local products, increased firm profitability, and employment generation within the producer and processor community. These two projects laid the foundation for the recently initiated program. While overall progress in developing a market economy has been considerable, the private sector in Kosovo is not yet dynamic or competitive. The Standards Law passed in 2004 with USAID assistance created the opportunity to develop competitive industries producing goods that are marketable domestically as well as regionally. Emerging business organizations were strengthened by the activities under the recently concluded projects and credit opportunities have increased, although slowly. Over 300 businesses received training and technical assistance. Local companies concluded more than \$4.1 million in business deals that are facilitating Kosovo's integration into regional markets.

More than 2,000 farmers were introduced to improved production technologies through training, demonstrations, and individual technical assistance. Significant improvements in quality, market share and production in milk, eggs, and poultry resulted from program interventions in FY 2004.

## US Financing in Thousands of Dollars

**Kosovo**

167-0130 Private Sector Growth	<b>AEEB</b>
<b>Through September 30, 2003</b>	
Obligations	87,032
Expenditures	78,092
Unliquidated	8,940
<b>Fiscal Year 2004</b>	
Obligations	5,375
Expenditures	9,813
<b>Through September 30, 2004</b>	
Obligations	92,407
Expenditures	87,905
Unliquidated	4,502
<b>Prior Year Unobligated Funds</b>	
Obligations	124
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	5,500
<b>Total Planned Fiscal Year 2005</b>	
Obligations	5,624
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	6,289
Future Obligations	0
Est. Total Cost	104,320

### Data Sheet

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<b>USAID Mission:</b>	Kosovo
<b>Program Title:</b>	Accountable and Transparent Governance
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	167-0210
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$8,000,000 AEEB
<b>Prior Year Unobligated:</b>	\$1,277,000 AEEB
<b>Proposed FY 2006 Obligation:</b>	\$7,680,000 AEEB
<b>Year of Initial Obligation:</b>	1999
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** A civil society and government that are more effective partners in achieving good governance is a strategic objective supporting the Mission's overall democracy and governance goal. Areas of concentration will seek to engender better informed citizens with a commensurate increased influence on public policy. This objective will also seek to create conditions in which local governments are more accountable and transparent in their operations. Furthermore, with increased devolution of responsibilities to the local level, activities will be focused on assisting the municipalities to fulfill their key functions more efficiently. These efforts will include work with the media, non-governmental organizations (NGOs), and local governments.

#### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Establish and Ensure Media Freedom and Freedom of Information (\$2,300,000 AEEB, \$800,000 AEEB carryover, \$3,000 AEEB prior year recoveries). USAID will continue its assistance to ensure that the two main private Kosovo-wide television stations continue their financial growth towards sustainability, the quality of news in both broadcast and print media continues to improve, and the Kosovo Terrestrial Telecommunication Network (KTTN) successfully transforms into a private for-profit organization. In mid-2005, USAID will initiate a new Media Assistance Program (MAP) which will be one of the key vehicles for achieving Kosovo media sector sustainability. The aim of the project is to: 1) improve the media legal framework and enable it to promote free speech and access to information; 2) increase quality standards to an higher level of professionalism; 3) increase the business viability of independent media to allow for editorial independence; and 4) increase the organizational capacity of media associations and their effectiveness in representing the interests of media and freedom of speech. Grantee: International Research & Exchanges Board (IREX); Contractor: To be determined (TBD).

Strengthen Civil Society (\$1,400,000 AEEB, \$324,000 AEEB carryover). USAID will continue to support the Kosovo non-governmental organizations' (NGOs') efforts to increase their advocacy skills. In mid-2005 USAID will initiate a new civil society activity. This assistance will focus on further improving the advocacy skill of NGOs, strengthening NGO resource centers and grant-making organizations, improving financial viability and their public image by providing technical assistance, training, and grants to NGOs. Grantee: East-West Management Institute; Contractor: TBD.

Support Democratic Local Government and Decentralization (\$4,300,000 AEEB, \$150,000 AEEB carryover). In FY 2005 support will focus on strengthening local governments through improving the legislative and institutional framework for local governance and promoting good governance in selected "host" municipalities by improving their effectiveness, responsiveness, transparency, and accountability. At the central level USAID will provide technical assistance in policy formulation to institute a legislative framework for devolving local governance. At the local level, Resident Municipal Advisors (RMAs) assigned to host municipalities will focus on: 1) improving municipal management and leadership; 2) improving transparency, accountability, and public participation; and 3) fostering local economic development by providing technical assistance to targeted municipalities. The use of Development Credit Authority (DCA) resources at both levels to hasten progress will be undertaken to the extent feasible. The Municipal Infrastructure and Support Initiative (MISI) is an activity with the goal of improving the climate for minority returns and (re)integration by involving community level activists of all ethnicities in selecting, funding, and tendering small infrastructure projects for their communities. The tragic events of

March 2004 in Kosovo, when ethnic tensions flared up into violence leading to loss of life and property damage, emphasized the importance of mechanisms like the MISI-facilitated multi-ethnic working groups as a vehicle for sustainable return and reconciliation. Contractor: RTI International (prime); Grantee: Mercy Corps (prime).

**FY 2006 Program:** Establish and Ensure Media Freedom and Freedom of Information (\$1,780,000 AEEB). USAID will engage in the process of transition of regulatory competencies from United Nations Interim Administration Mission in Kosovo (UNMIK) to the Independent Media Commission. In FY 2005 USAID will continue to be involved in developing the media sector in Kosovo with the objective of improving the media legal framework, increasing professionalism among journalists, and increasing the business viability of independent media. Contractor: TBD.

Strengthen Civil Society (\$1,650,000 AEEB). USAID will assist NGOs, networks and coalitions to make them more efficient advocates and agents of change. In addition, USAID will assist public policy NGOs and think tanks to better engage in policy dialogue with the decision-makers at both the local and central level. Grantee: TBD.

Support Democratic Local Government and Decentralization (\$4,250,000 AEEB). In FY 2006 USAID will continue the implementation of the Local Government Initiative (LGI) and more fully integrate it with other USAID and donor programs. At the central level LGI is expected to implement decentralization and to advance the legislative process for a Law on Local Self-Governance for Kosovo. At the local level, USAID will continue capacity building of municipal administrations, strengthening public participation, improving transparency and accountability, improving service delivery, and fostering local economic development. The program will expand to additional municipalities at an increasing pace during FY 2006. The program will also help to consolidate the transfer of competencies from UNMIK to municipal governments. Contractor: RTI International (prime).

**Performance and Results:** According to the three surveys conducted on quarterly basis, RTV 21, one of the two USAID-supported Kosovo-wide private TV stations, became the market leader with more than 53% of viewership share. The annually conducted Media Sustainability Index (MSI) shows an increase in the FY 2004 score for Kosovo indicating that the Kosovo media sector is slowly moving towards sustainability. The MSI indicated that the media associations have started to effectively engage in advocating for freedom of speech. The 2004 NGO Sustainability Index shows significant improvement of the NGO sector in Kosovo. The LGI assisted in improving the legislative framework for local governance by providing technical assistance to a Local Government Working Group established by UNMIK and the Provisional Institutions of Self-Government. The March 2004 riots were a setback for the MISI program, but USAID was able to get the program back on track relatively quickly as it was working at the community level. By late March MISI staff had visited or spoken with 29 minority or multi-ethnic communities where MISI infrastructure projects had been proposed, and succeeded in reengaging minority communities to continue their work with their respective municipalities in implementing the identified infrastructure needs.

By the end of the strategy period, it is expected that USAID assistance will have resulted in sustainability of two Kosovo-wide private TV stations, will enable NGOs to regularly engage government officials and institutions and advocate for changes, and will increase municipal governments' responsiveness to citizens' needs.

## US Financing in Thousands of Dollars

**Kosovo**

167-0210 Accountable and Transparent Governance	<b>AEEB</b>	<b>ESF</b>
<b>Through September 30, 2003</b>		
Obligations	33,105	141
Expenditures	26,289	141
Unliquidated	6,816	0
<b>Fiscal Year 2004</b>		
Obligations	9,161	0
Expenditures	8,430	0
<b>Through September 30, 2004</b>		
Obligations	42,266	141
Expenditures	34,719	141
Unliquidated	7,547	0
<b>Prior Year Unobligated Funds</b>		
Obligations	1,277	0
<b>Planned Fiscal Year 2005 NOA</b>		
Obligations	8,000	0
<b>Total Planned Fiscal Year 2005</b>		
Obligations	9,277	0
<b>Proposed Fiscal Year 2006 NOA</b>		
Obligations	7,680	0
Future Obligations	0	0
Est. Total Cost	59,223	141

### Data Sheet

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<b>USAID Mission:</b>	Kosovo
<b>Program Title:</b>	Democratic Institutions
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	167-0220
<b>Status:</b>	New in FY 2004
<b>Planned FY 2005 Obligation:</b>	\$5,776,000 AEEB
<b>Prior Year Unobligated:</b>	\$1,538,000 AEEB
<b>Proposed FY 2006 Obligation:</b>	\$5,550,000 AEEB
<b>Year of Initial Obligation:</b>	2004
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** USAID's democratic institutions program will help support building strong autonomous governmental institutions by strengthening the capacity of representatives of the democratic institutions. USAID's democratization approach to date has focused on promoting transparency and accountability. This approach will expand to include the creation of a more representative and modernized electoral system, responsive political parties, a legislature that exercises effective oversight, a strong judiciary staffed by competent legal professionals, efficient court administration, and increased access to justice for all Kosovo residents. Strengthening these key institutions will help the Mission achieve its goal of helping Kosovo become more democratic, providing equal opportunities and rights for all citizens.

#### **Inputs, Outputs, Activities:**

**FY 2005 Program:** Improve Justice Sector/Legal Framework (\$4,976,000 AEEB, \$748,000 AEEB carryover). In 2005, USAID will continue to provide assistance to Kosovo institutions and Kosovo legal professionals in planning and implementing the transition and reform of the justice sector. USAID will assist the United Nations Interim Administration in Kosovo (UNMIK), legal professionals, and civil society in developing a legal framework that ensures judicial independence and protection from the political and executive interference in the judiciary, and in developing policies that support an effective and impartial justice system. Priority areas for reform include structural and functional reform in the justice system; strengthening the capacity of the court system to operate in a effective, transparent, and impartial manner by advancing management capacity of the court staff; designing and implementing new policies and procedures that will enhance transparency and efficiency; developing systems to provide effective oversight for judges, prosecutors, and lawyers through improvement of disciplinary and ethics systems; and increasing public awareness of Kosovo's evolving legal framework and justice system to improve access and ensure individual and community rights are protected through public awareness campaigns and provision of regular updated information to the general public. USAID will provide assistance to improve and increase the professionalism of lawyers, judges, and prosecutors as well as enhance the professional capability of the new entry legal staff. The importance and enormity of this issue, coupled with the slow progress to date, will make rule of law a major area of emphasis in 2005. Grantee: American Bar Association/Central European and Eurasian Law Initiative (ABA/CEELI) (prime); Contractor: National Center for State Courts (NCSC) (prime).

Strengthen Democratic Political Parties (\$800,000 AEEB, \$790,000 AEEB carryover). The FY 2005 program is a continuation of a previous program designed so that program components complement one another and enhance coordination of the activities at the Kosovo-wide and municipal level. The program seeks to promote the democratization of political parties and the central and municipal assemblies by facilitating constructive interaction between representatives and their constituents. Following the October 2004 elections for the Kosovo Assembly, USAID will seek to consolidate progress in intra-party democratization, inter-party collaboration and civic engagement, and to marginalize extremist elements by further strengthening democratic institutions such as the Assembly and municipal councils. The main focus with the new Assembly will be the training of the newly elected Assembly members on constituent relations. This component will be further advanced by opening of regional constituent offices in six towns of Kosovo, a practice new for both the Assembly and the citizens of Kosovo. Grantee: National Democratic Institute (NDI); Contractor/Grantee: TBD

**FY 2006 Program:** Improve Justice Sector/Legal Framework (\$3,600,000 AEEB). USAID will support and provide technical assistance in the reform of the law faculty by introducing new teaching methodologies and provide technical assistance in the reform of the curricula. USAID also will continue to support the improvement of court administration, strengthen the management capacity of the courts, assist in the implementation of the justice system reforms, ensure effective oversight for judges, prosecutors, and lawyers, and increase public awareness and understanding of the legal system. Contractor: NCSC (prime); Grantee: ABA/CEELI (prime).

Strengthen Democratic Political Parties (\$1,950,000 AEEB). USAID will continue to provide technical assistance to the political parties and the Assembly. USAID will provide assistance to political parties to improve the parties' capacity to develop policies, further strengthen internal democratic structures, promote participation of women and youth, and effectively reach out to constituents. Direct assistance to the Assembly members will be provided to help the Assembly to effectively exercise executive oversight and follow-up on the implementation of the laws. Grantee: NDI (prime).

**Performance and Results:** To date, USAID has helped improve the capacity of political parties to conduct coherent and issue-based campaigns, and two of the major political parties established within their structure Centers for Political Studies responsible for researching and surveying public opinion on main economic and social issues. USAID assisted political parties to strengthen internal party practices, which resulted in a democratic election process of party candidates by the membership for the determination of the party's electoral list. With USAID support, a strong and credible capacity for election monitoring was created with the Council for the Defense of Human Rights and Freedom. The Kosovo Chamber of Advocates has emerged as a vibrant and active association of professionals involved in the legal reforms, playing a role in professional enhancement of its membership and developing a new Law on Advocacy. USAID has assisted UNMIK in coordination with other donors in planning the transition and the reform of the justice sector. The Audit Unit at the Department of Justice has been established and will be staffed and trained during FY 2005. USAID made significant contributions to improve the effectiveness of the court administration by enhancing skills of court support staff through targeted training for court archivists, court managers/administrators, and execution staff. Further administration of justice was enhanced as a result of USAID assistance in developing and implementing a number of automated systems such as fee and fine collection and budget management software.

By the end of the strategy period, it is expected that USAID assistance will have resulted in or contributed to increasing local capacity in Kosovo's democratic institutions. In 2004, Kosovo for the first time had primary responsibility for administering the Assembly elections, and had increased responsibility over the justice system. Political parties will be more internally democratic and elected representatives will be more responsive to their constituencies. The Assembly will be more effective at conducting its business, and the three branches of government will begin to perform checks and balances on each other.

## US Financing in Thousands of Dollars

**Kosovo**

167-0220 Democratic Institutions	<b>AEEB</b>
<b>Through September 30, 2003</b>	
Obligations	0
Expenditures	0
Unliquidated	0
<b>Fiscal Year 2004</b>	
Obligations	5,450
Expenditures	1,533
<b>Through September 30, 2004</b>	
Obligations	5,450
Expenditures	1,533
Unliquidated	3,917
<b>Prior Year Unobligated Funds</b>	
Obligations	1,538
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	5,776
<b>Total Planned Fiscal Year 2005</b>	
Obligations	7,314
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	5,550
Future Obligations	0
Est. Total Cost	18,314



## Data Sheet

<b>USAID Mission:</b>	Kosovo
<b>Program Title:</b>	Social stabilization through special initiatives
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	167-0410
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$2,323,000 AEEB
<b>Prior Year Unobligated:</b>	\$301,000 AEEB
<b>Proposed FY 2006 Obligation:</b>	\$800,000 AEEB
<b>Year of Initial Obligation:</b>	1999
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** This objective supports activities that are vitally important to the development of Kosovo, but fall outside USAID's core objectives. These activities address U.S. Government and Kosovo-specific priorities such as anti-trafficking, key health issues, and initiatives in energy. The activities are often limited in scope and implemented as part of a larger donor effort.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Reduce Trafficking in Persons (\$500,000 AEEB, \$111,000 AEEB carryover). A follow-up program is being designed with lessons learned from the initial program with International Organization for Migration (IOM). In mid-2005, USAID will initiate a new three-year \$800,000 anti-trafficking program with a strong emphasis on partnerships with local entities. The program will focus on: 1) improving the quality of current support services for victims and women at risk of being trafficked; 2) locally led campaigns that use multiple forms of media; and 3) increased community involvement. This program will expand and strengthen a local partnership of non-governmental organizations (NGOs) and civic institutions to monitor progress of the response to trafficking over the longer-term. Implementer: To be determined (TBD).

Expand and Improve Access to Economic and Social Infrastructure (Energy) (\$1,213,000 AEEB). FY 2005 is characterized by several new developments in the energy sector; transfer of additional competences from the United Nations Interim Administration in Kosovo (UNMIK) to the Provisional Institutions of Self-Government (PISG), and formation of both the Ministry of Energy and Mining and the Energy Regulatory Office (ERO). USAID plans to continue with its institutional strengthening efforts by providing full time national staff to the Kosovo Electric Company's (KEK) recently established Turn Around Management team in fully implementing and utilizing the USAID-funded billing and collection system (CCP) and periodic consultancies to assist with the expansion of the CCP within KEK. USAID will continue to support the ERO with the drafting of secondary legislation (the legislative framework for the energy sector) and provide advice to Ministerial and Assembly officials as they set policy in compliance with regional energy treaties. The potential for a Global Development Alliance (GDA) partnership to revitalize KEK will be explored. USAID will continue to work with the PISG, World Bank, the European Agency for Reconstruction and UNMIK/Pillar IV (economic restructuring) in a coordinated effort to attract foreign direct investment to the sector, with a specific goal of attracting international investment to build a new power plant. Contractors: Chemonics, Pierce Atwood (primes).

Improve Child Survival, Health and Nutrition (\$500,000 AEEB). Kosovo has one of the highest infant mortality rates in Europe, two to three times higher than in the neighboring regions. The most recent estimate, 35/1,000 live births (United Nations Development Program Human Development Report 2004), demonstrates a lack of improvement over the past ten years despite the significant rise in percentage of attended births (up to 95%, United Nations Population Fund). Some estimates reveal that almost half of infant deaths are neonatal deaths (0-27 days). USAID plans to initiate a new activity in collaboration with the Ministry of Health that will address the need to further assess the quality of regional maternal and infant care for strategic planning purposes and increase the low level of health and nutrition awareness in communities. Implementer: TBD.

Build Health Systems Capacity (\$110,000 AEEB, \$190,000 AEEB carryover). USAID will continue to support the initiative for inclusion of mentally disabled in Kosovo that targets decision-makers and the community, and will lead to an increased integration of people with mental disabilities in public life and the community. This activity entails a close collaboration with the Ministry of Health and the Ministry of Labor and Social Welfare in setting up the policies that will affect the changes in the status of mentally disabled and their families. Grantee: Mental Disability Rights International (prime).

**FY 2006 Program:** Reduce Trafficking in Persons (\$200,000 AEEB). With this funding USAID will continue to support the new three-year anti-trafficking grant partnership program. During FY 2006 we anticipate a series of locally led awareness campaigns over an extended period of time and at least two pilot community anti-trafficking initiatives. Implementer: TBD.

Expand and Improve Access to Economic and Social Infrastructure (Energy) (\$600,000 AEEB). USAID engagement will become more specifically focused on strengthening the Energy Regulatory Office (ERO) to promote an attractive, secure investment climate in a highly competitive region. By year two of ERO's existence, residents of Kosovo will make up the entire staff and will submit advisory requests as needed. The capacity building needs of the ERO's staff will be met by periodic training provided by USAID advisors. A smaller assistance component will be short-term advice on increasing billing/collections. Contractors: Chemonics, Pierce Atwood (primes).

**Performance and Results:** Anti-trafficking: To date, four trafficking focal points have been established in the PISG ministries constituting the Inter-Ministerial Commission to Combat Trafficking in Human Beings, which is the primary force in the implementation of the Kosovo Action Plan to address the long-term the issues of trafficking. The plan establishes a number of actions in the areas of prevention, protection, and prosecution including the establishment of a single legal and regulatory framework for counter trafficking. As result of USAID-funded efforts, IOM has established a referral system comprised of NGOs and government officers for cases of trafficked women and children from Kosovo. Since the beginning of the program 41 trafficked persons from Kosovo have been assisted by IOM, 59% of them being minors.

Health: This year marks the successful completion of the five-year National Tuberculosis (TB) Program (NTP) Action Plan (1999-2004) supported by USAID, a result of which is that the treatment success rate now exceeds WHO targets of 85%. One Learning Resource Center was established in the targeted Family Medicine Center as result of a USAID-sponsored health partnership. A new HIV/AIDS activity started in September 2004 and has already established a technical working group of Kosovo partners to ensure consensus around surveillance priorities and using the Behavioral and Biological Surveillance System to measure key behaviors and HIV prevalence among high-risk groups.

Energy: The new turn around management team from ESBI (ESB International) was contracted in July to run KEK. Billing rates have dramatically improved since 2002, from 55% to 70% of distributed energy, though collection rates continue to lag. Both collection and billing rates have reached plateaus due to legislative and technical gaps, which are gradually being filled through ongoing assistance. The power supply has improved in comparison with the last year. The recent data from KEK shows that the percentage of total time without power supply in FY 2004 was 9.70% compared with 19.31% for FY 2003, but collection rates continue to be low at 42%.

## US Financing in Thousands of Dollars

**Kosovo**

167-0410 Social stabilization through special initiatives	<b>AEEB</b>	<b>CSH</b>	<b>ESF</b>
<b>Through September 30, 2003</b>			
Obligations	18,620	131	1,756
Expenditures	17,208	130	1,728
Unliquidated	1,412	1	28
<b>Fiscal Year 2004</b>			
Obligations	1,715	0	0
Expenditures	2,313	0	0
<b>Through September 30, 2004</b>			
Obligations	20,335	131	1,756
Expenditures	19,521	130	1,728
Unliquidated	814	1	28
<b>Prior Year Unobligated Funds</b>			
Obligations	301	0	0
<b>Planned Fiscal Year 2005 NOA</b>			
Obligations	2,323	0	0
<b>Total Planned Fiscal Year 2005</b>			
Obligations	2,624	0	0
<b>Proposed Fiscal Year 2006 NOA</b>			
Obligations	800	0	0
Future Obligations	0	0	0
Est. Total Cost	23,759	131	1,756

## Data Sheet

<b>USAID Mission:</b>	Kosovo
<b>Program Title:</b>	Cross-Cutting Programs
<b>Pillar:</b>	Economic Growth, Agriculture and Trade
<b>Strategic Objective:</b>	167-0420
<b>Status:</b>	Continuing
<b>Planned FY 2005 Obligation:</b>	\$3,011,000 AEEB
<b>Prior Year Unobligated:</b>	\$1,227,000 AEEB
<b>Proposed FY 2006 Obligation:</b>	\$3,307,000 AEEB
<b>Year of Initial Obligation:</b>	1999
<b>Estimated Year of Final Obligation:</b>	2008

**Summary:** Activities funded under this objective are cross-cutting in nature and will support the achievement of all strategic objectives. There are two major components in this objective, training and education programs, and administrative/technical support. Training and education programs are cross-cutting activities implemented to address the shortfall in human capacity that hinders Kosovo's ability to develop mature economic and democratic institutions. The problems stemming from an inadequate education base are a recurrent issue throughout all activities. A three-pronged approach to address the human development aspect of capacity will focus on leadership training, long-term degree training, and short-term technical training and study. In addition, funds under this cross-cutting objective provide program support and technical expertise which enable the Mission to develop, monitor, and evaluate program implementation.

### Inputs, Outputs, Activities:

**FY 2005 Program:** Strengthen Civil Society (\$450,000 AEEB, \$250,000 AEEB carryover). During FY 2005 the second class of emerging leaders training will be completed. Program focus will be expanded to include strengthening the role of the associate trainers who are Kosovo residents, with the objective that they become master trainers at the end of their apprentice period. It is anticipated that by the end of the fellowship program, 110 individuals will have been trained in combining practical education and contemporary theories and practices of management and leadership. A new regional program focused on youth understanding and interaction in the Balkans started this year. This program will build on the energy of youth for constructive engagement in community affairs. This approach envisions provision of capacity building support tailored to the specific needs of youth in the region. Grantee: National Albanian American Council (prime).

Improve Quality of Workforce (\$1,200,000 AEEB). USAID will continue to provide a responsive and flexible mechanism for targeted short-term training and study opportunities that complement all strategic objectives. Emphasis in the second year of this program will be expanded to include monitoring returned participants to ensure that they utilize training received. The training plan for FY 2005 consists of 32 training events across the portfolio. Contractor: World Learning (prime).

Improve Community-Based Reconciliation Efforts (\$200,000 AEEB, \$287,000 AEEB prior year recoveries). USAID intends to explore options for funding multi-lingual, multi-cultural television programming in Kosovo by Sesame Workshop, the producer of the Sesame Street program for pre-schoolers. USAID anticipates funding the production of a series of television programs that will contribute to its long-term conflict mitigation objectives by portraying children of all ethnicities in Kosovo in a positive way.

Program Support (\$1,161,000 AEEB, \$690,000 AEEB carryover). In addition to supporting the operations and personnel costs of the program personnel who manage USAID's ongoing activities, FY 2005 funds will support efforts to fully implement the Mission's five-year strategic plan, including studies and surveys, project management training, action plans for cross-cutting issues, and a new performance management plan.

**FY 2006 Program:** Improve Quality of Workforce (\$1,500,000 AEEB). USAID will continue to support human and institutional capacity development activities that will promote greater sustainability and effectiveness of all USAID assistance by implementing training and other technical assistance. A small grant component may be added to this activity. Contractor: World Learning (prime).

Cross-Cutting Issues Support (\$607,000 AEEB). In addition to human capacity building, four cross-cutting issues (corruption, youth, gender, and conflict and reconciliation) were identified in the Mission's new strategic plan as being priority areas for Kosovo's economic and democratic development. Funds will be used to support focused initiatives that target one or more of these issues and complement the work undertaken by the four core strategic objectives. Contractors/Grantees: TBD.

Program Support: (\$1,200,000 AEEB). Funds will continue to be used for program support.

**Performance and Results:** Fellows selected from the In-Country Executive Leadership Program attended the Washington Leadership Program. To date nine training events have been completed; one was in-country training, five were third-country training, and three were US-based training. At the end of FY 2004, USAID started supporting two new cross-cutting initiatives with the United Nations Children's Fund (UNICEF) and the United Nations Development Program (UNDP). The UNICEF-led Women's and Girls Literacy activity aims to increase literacy rate of girls and of women in rural areas. As result of this effort approximately 750 women will complete all three "Levels of Literacy" classes, increasing the total number of participants to 3,050. The program is a partnership with 10 local women, and youth and minority non-governmental organizations and will take place in 50 different literacy centers. The new UNDP Early Warning System (EWS) Phase III activity is bringing in new components to EWS that include Kosovo's Provisional Institutions of Self-Government, municipal government officials, and civil society, and represents a continuation of USAID support focused at conflict prevention especially in light of the recent developments in Kosovo.

## US Financing in Thousands of Dollars

**Kosovo**

167-0420 Cross-Cutting Programs	AEEB
<b>Through September 30, 2003</b>	
Obligations	5,813
Expenditures	5,059
Unliquidated	754
<b>Fiscal Year 2004</b>	
Obligations	4,406
Expenditures	2,821

<b>Through September 30, 2004</b>	
Obligations	10,219
Expenditures	7,880
Unliquidated	2,339
<b>Prior Year Unobligated Funds</b>	
Obligations	1,227
<b>Planned Fiscal Year 2005 NOA</b>	
Obligations	3,011
<b>Total Planned Fiscal Year 2005</b>	
Obligations	4,238
<b>Proposed Fiscal Year 2006 NOA</b>	
Obligations	3,307
Future Obligations	0
Est. Total Cost	17,764